

**Center for Medicaid and CHIP Services (CMCS)**

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Mr. Stephen Fitton, Director  
Medical Services Administration  
Department of Community Health  
400 South Pine  
Lansing, MI 48933

FEB - 8 2012

RE: Michigan State Plan Amendment (SPA) 11-12

Dear Mr. Fitton:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number (TN) 11-12. Effective for services on or after January 1, 2012, this amendment revises the methodology for setting reimbursement rates for long term care services. Specifically, this amendment changes the name of the Michigan Business Tax to the Corporate Income Tax.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We hereby inform you that Medicaid State plan amendment 11-12 is approved effective January 1, 2012. We are enclosing the HCFA-179 and the amended plan pages.

If you have any questions, please call Todd McMillion at (608) 441-5344.

Sincerely,



Cindy Mann,  
Director (CMCS)

Enclosure

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: <b>11 - 12</b>	2. STATE: Michigan
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH FINANCING ADMINISTRATION DEPARTMENT OF HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE January 1, 2012	

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart C	7. FEDERAL BUDGET IMPACT: a. FFY 2012 _____ \$ 0 _____ b. FFY 2013 _____ \$ 0 _____
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-D, Section III, Page 1a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-D, Section III, Page 1a

10. SUBJECT OF AMENDMENT:  
This amendment is to change the name of the Michigan Business Tax to the Corporate Income Tax.

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT       OTHER, AS SPECIFIED:  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED      Stephen Fitton, Director  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL      Medical Services Administration

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Medical Services Administration Actuarial Division Capitol Commons Center - 7th Floor 400 South Pine Street Lansing, Michigan 48933  Attn: Loni Hackney
13. TYPED NAME: Stephen Fitton	
14. TITLE: Director, Medical Services Administration	
15. DATE SUBMITTED: November 30, 2011	

FOR REGIONAL OFFICE USE ONLY	
17. DATE RECEIVED:	18. DATE APPROVED: <b>FEB - 8 2012</b>

PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: <b>JAN - 1 2012</b>	20. SIGNATURE OF STATE AGENCY OFFICIAL: 
21. TYPE NAME: <b>Penny Thompson</b>	22. TITLE: <b>Deputy Director, CMCS</b>

23. REMARKS:

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT**

State of MICHIGAN

***Policy and Methods for Establishing Payment Rates – Long Term Care Facilities***

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period. Owner administrator compensation limits will be applied based on the reduced bed count. Payment determinations for Class II facilities will be based on actual occupancy.

- D. Title XIX per patient day cost, for a designated cost component, is the total inpatient cost for that cost component, divided by total inpatient days, as determined from the provider's Medicaid cost report.
- E. The ~~Michigan Business~~ CORPORATE INCOME Tax is an allowable expense.

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TN NO.: 11-12

Approval Date: FEB -8 2012

Effective Date: 01/01/2012

Supersedes  
TN No.: 08-04

**OS Notification**

**State/Title/Plan Number:** Michigan 11-012  
**Type of Action:** SPA Approval  
**Required Date for State Notification:** February 19, 2012  
**Fiscal Impact:** FY 2012 \$0  
FY 2013 \$0

**Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0**

**Number of Potential Newly Eligible People: 0**

**Eligibility Simplification: No**

**Provider Payment Increase: No**

**Delivery System Innovation: No**

**Number of People Losing Medicaid Eligibility: No**

**Reduces Benefits: No**

**Detail:** Effective for services on or after January 1, 2012, this amendment changes the name of the Michigan Business Tax to the Corporate Income Tax.

Michigan identifies the Michigan Business Tax as an allowable expense for purposes of cost identification for reimbursement rate setting methodology for long term care facilities. This amendment changes the name of the Michigan Business Tax to the Corporate Income Tax. Effective as of January 1, 2012, the Michigan Corporate Income Tax (CIT) replaced the Michigan Business Tax (MBT) as the state's tax on corporate income.

The CIT is a 6.0% tax rate on corporate income and is not applied to services. The application of the CIT to nursing facilities is dependent on how the provider is organized as a business entity. The CIT is only levied on businesses organized as traditional C corporations and entities taxed as C corporations under federal income tax rules. Sole proprietorships and pass through entities, such as partnerships, S-corporations, and limited liability companies taxed as a partnership or S-corporation, will not be required to pay taxes or file returns under the CIT.

**Other Considerations:** This plan amendment has not generated significant outside interest and we do not recommend the Secretary contact the governor.

**Recovery Act Impact:**

**The Regional office has reviewed this state plan amendment in conjunction with the Recovery Act and, based on the available information provided by the State regarding 1) MOE; 2) local match; 3) prompt pay; 4) rainy day funds, and 5) eligible expenditures, the Regional Office believes that the State is not in violation of the Recovery Act requirements noted above.**

**CMS Contact:**

**Todd McMillion (608) 441-5344  
National Institutional Reimbursement Team**